UHY

global

ISSUE 12

CONFIDENT CONTINENT

AFRICA POISED FOR FREE TRADE REVOLUTION

PROSPECTS FOR HOPE
HOW THE PANDEMIC SPARKED A STARTUP SURGE

RESPONSIBLY SOURCED
CORPORATE CREDENTIALS UNDER SCRUTINY

THREATS AND OPPORTUNITIES
STAYING AHEAD OF THE CYBERCRIMINALS

The network for doing business

IN THIS ISSUE

WORD OF WELCOME

It gives me great pleasure to present this enhanced issue of *UHY Global*, our twice-yearly business magazine. Regular readers will notice a few additions. We have taken the most valuable parts from our annual credentials report and incorporated them into *UHY Global*, so the magazine now brings you even more.

You can still read insightful and interesting business features and discussion on global issues, but you also have more UHY information at your fingertips: service listings, a worldwide contact directory of all our independent member firms, more client stories, and in every edition a focus on a particular service or sector. In this issue, we look at cybersecurity, and ask some of our experts to explain current risks and the mitigations businesses need to consider.

As I write this introduction, the world is still struggling to contain the pandemic. Even though some economies are opening up again, vaccination programmes are underway and economic bounce-back forecasts are more positive than expected, there is still some way to go before we can all return to life as normal. However, in our feature Opportunity from Adversity, we reveal how the pandemic's disruptive force is driving new thinking and new business innovations across the world. I find it reassuring that entrepreneurial spirit and creativity can prevail despite the enormity of the challenge.

In this issue of *UHY Global* we also look at some exciting commercial developments in Africa. Launched this year, the African Continental Free Trade Area promises to stimulate intra-continental cross-border trade in the coming years, and aims to lift tens of millions of people out of extreme poverty. And there is better news for the planet, too. Environmental, Social and Governance (ESG) reporting is a fast-growing requirement for organisations of all sizes to demonstrate responsible operations in the face of increasing demand from customers, shareholders and investors. In our article The Colour of Money is Green, we explore ESG's benefits and impacts.

Despite ongoing pressures and commercial uncertainties, I believe we can take heart in the resilience of people and the positive outlook that so many of you share and promote. I hope you enjoy *UHY Global's* thought-provoking collection of stories and remember – if you want to browse our enhanced digital edition with extra details and dig deeper into the topics we cover, you can find it here: www.uhy.com/Global12.

Dennis Petri
Chairman, UHY International

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GLOBAL IMMOBILITY

If anything typifies the growth and complexity of a globalising world, it is the multinational dimension of business and its international workforce. Mobile labour represents a unique human resources challenge – even before Covid.

The coronavirus pandemic has served to question global mobility of labour in unprecedented ways, highlighting the human issues of travel bans, quarantine, repatriation and working from home, inside or outside the host country. At the same time, the challenges faced by administrations and employers regarding tax, social security, mandatory disclosure, immigration and labour law have also been brought into a sharper focus.

NEW SOLUTIONS

Even before Covid-19, old rulebooks were blowing away on the winds of change as businesses reviewed the most effective approaches to mobility. Many traditional models for ‘sending our people abroad’ had become uncompetitive, based on inflexible long-term or permanent overseas assignments regardless of alternative workforce deployments. Many were slow to recognise the opportunities for diversity and career development in a more inclusive approach to talent management.

In their place – especially post-pandemic – we are likely to see more flexible and agile labour solutions to international expansion and operations requirements. These might take into account changing attitudes towards work-life balance, redefined by a millennial workforce which is travel-savvy and plugged into the connected world more than any previous business generation.

Technology is enabling a host of alternative working practices, and opening up a new wealth of analytic data for corporate HR strategists. International ‘gig’ exponents and ‘digital nomads’ – versatile portfolio workers supplying cross-border project management for multiple clients – work wherever they can be online, and numbers are increasing.

MANY CHALLENGES

Yet while a dynamic new future for international workforces is on the horizon, many issues for employers have become more complex. Strategic, financial and people challenges combine to create headaches for many businesses – both those managing existing overseas personnel and those planning expansion into new territories.

The rise of protectionist national governments is also affecting rules on immigration and residency. Harsher tax regimes mean that chief financial officers or their accounting service providers must stay on top of what is required for compliance with local legislation.

EMERGING ECONOMIES

Ongoing lockdowns and recession continue to impact expansion in many sectors, but globally mobile workforces will still be a key ingredient for existing multinational enterprises and those targeting new international investment. This is particularly true in emerging markets, but being present in an emerging nation brings its own mobile labour challenges.

For example, it is not unusual for emerging economies to lack an expatriate infrastructure. Transport networks, healthcare provision, housing security are taken for granted in more developed economies, but may prove harder to rely on in new markets. While English is the international language of business, many nations will not have embraced it socially and this may prove a new barrier to overcome for foreign assignees – even millennials.

The lessons are clear: mobility packages must be rigorous as well as attractive. Reward and incentive will go so far, but an employer’s duty of care remains top of the list - helping workers to settle in; ensuring the best medical access possible; robust financial and accounting support; and most importantly an evacuation process in case of a medical, environmental or political emergency. These have been tested by the pandemic, and it is clear that there is still much to do. ■

UHY IN THE GLOBAL MOBILITY SECTOR

As well as having tax and accounting specialists in over 100 countries, providing essential local expertise to international businesses, UHY member firms can also provide specific answers to your global mobility questions on expatriate taxation, payroll, social security, labour law, disclosure and filing. UHY colleagues are used to working together across borders to support international clients. In times of change and crisis, it makes sense to consult the experts.

> “Employers are beginning to recognise diversity, inclusivity and environmental impact.”

PLOTTING A ROUTE TO PROSPERITY

FREE TRADE HAS STARTED FLOWING ACROSS AFRICA THANKS TO THE AFRICAN CONTINENTAL FREE TRADE AREA, BUT IMPLEMENTATION CHALLENGES REMAIN

Thanks mainly to the Covid-19 pandemic, the last year has seen a slowdown in global trade and put the brakes on the free movement of goods and services. Factories and ports were closed for some of that time and, when businesses and borders reopened, they did so cautiously. The UK's withdrawal from the European Union (EU) at the end of 2020 only added to the sense of a global economy in retreat.

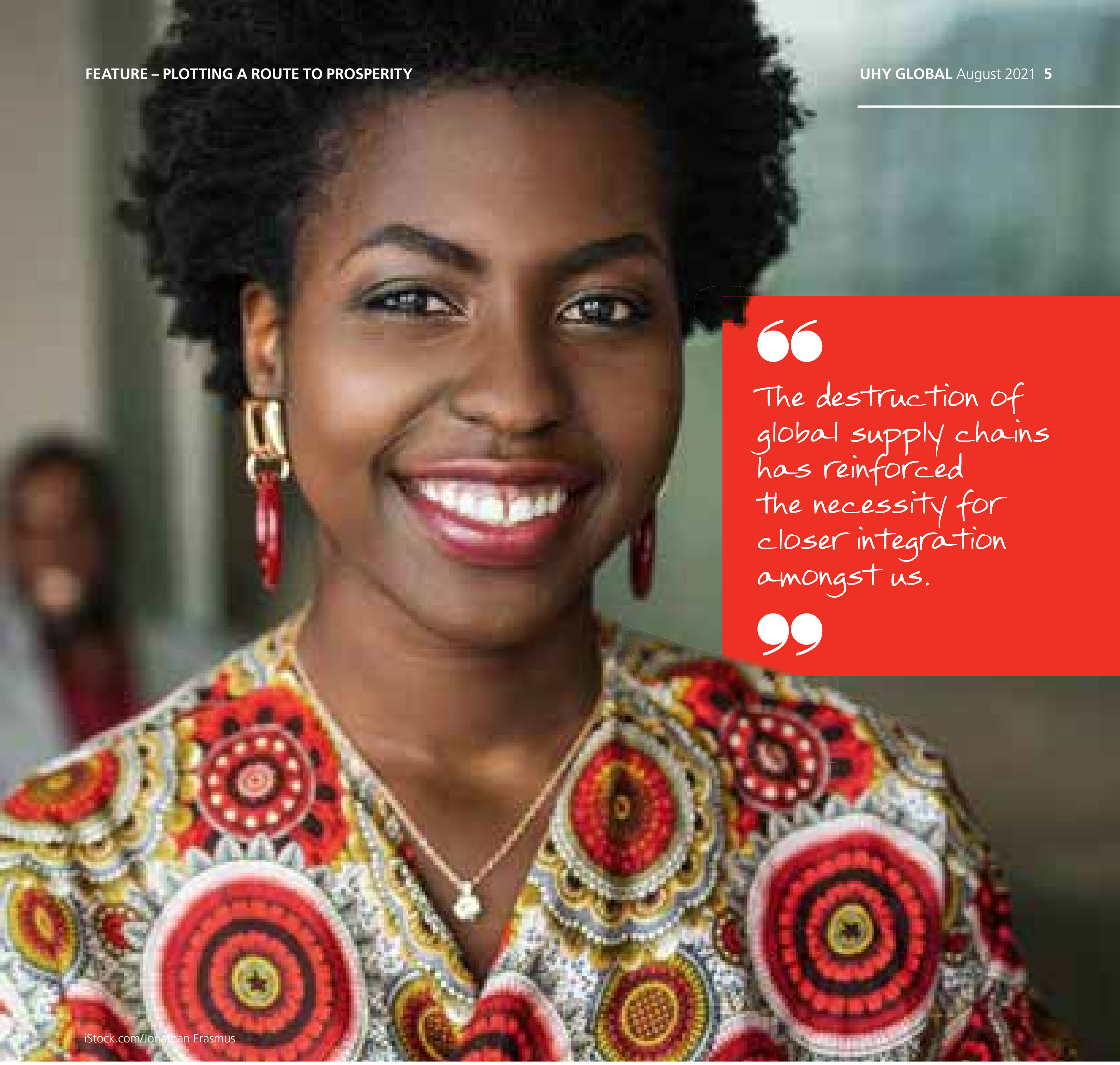
But one region is swimming against the tide. In what the World Economic Forum (WEF) calls a 'game changer' for the continent, the African Continental Free Trade Area (AfCFTA) was officially launched on 1 January 2021 and promises to revolutionise cross-border commerce in the region. Wamkele Mene, secretary general of the AfCFTA Secretariat, said the agreement represented 'our hope for Africa to be lifted up from poverty'.

AfCFTA certainly looks like an impressive achievement. The agreement has created the largest free trade area in the world measured by the number of countries participating, connecting 1.3 billion people across 55 nations with a combined gross domestic product (GDP) valued at USD 3.4 trillion. Its ambitious aim is to lift 30 million people out of extreme poverty.

That is not a pipe dream. According to World Bank figures, full implementation of AfCFTA would boost Africa's income by USD 450 billion by 2035 and increase the continent's exports by USD 560 billion. It would see wages grow by around 10% for both skilled and unskilled workers.

PROMOTING CROSS-BORDER BUSINESS

If these hopes are fulfilled, AfCFTA could be the economic pact Africa desperately needs. Currently, the continent accounts for just 2% of global trade. Only 17% of African exports are intra-continental, compared with 59% for Asia and 68% for Europe. AfCFTA will smooth the path of cross-border business by eliminating 90% of tariffs



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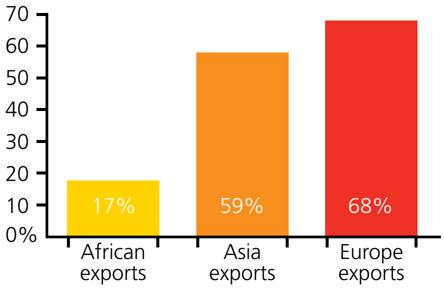
> "The destruction of global supply chains has reinforced the necessity for closer integration amongst us."

and drastically reducing non-tariff barriers by cutting red tape and simplifying customs procedures. It will create a free market for goods and services. And according to the WEF, changes brought about by the agreement could reshape economies across the region,

CURRENT GLOBAL TRADE



'leading to the creation of new industries and the expansion of key sectors'. African countries would trade more easily with each other and become more globally competitive. It is hoped that the agreement will reduce the incidence of illegitimate and fraudulent transactions, bolstering government revenues.

It is also hoped that AfCFTA will cushion Africa from the worst effects of the pandemic slump and allow local economies to 'build back better'. As Ghanaian president Nana Akufo-Addo recently said "The destruction of global supply chains has reinforced the necessity for closer integration amongst us so that we can boost our mutual self-sufficiency, strengthen our economies and reduce our dependence on external sources."

NEW OPPORTUNITIES

In other words, AfCFTA is a big deal, and UHY member firms on the continent are optimistic that it will create new cross-border opportunities for their clients. Mwai Mbuthia, founding partner at UHY Kenya, says reduced or eliminated tariffs will drive new intra-African trade.

"From a Kenyan perspective, the introduction of AfCFTA means 66% of tariff lines have immediately become duty free," he says. "On top of that, 24% of tariff lines will be gradually reduced over the next five years.

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That will help drive trade and mean Kenyan exporters will be much keener to do business with customers in other African states."

Lawrence Etukakpan, head of business development at Nigerian member firm UHY Maaji & Co, agrees. "The agreement is expected to create new opportunities and boost the African economy. Presently, Nigeria has an unemployment rate of 33% and we hope the AfCFTA agreement will help reduce the rate of unemployment as a result of intra-regional trade, especially in manufactured goods and services including banking, entertainment and information technology."

Lawrence sees particular opportunity in the export of professional services like insurance, banking, accounting, construction and real estate development to less advanced African neighbours, with benefits for all parties. And he also believes AfCFTA will create stronger flows of Foreign Direct Investment (FDI).

"There are several factors that have affected the inflow of FDI capital to Nigeria," he adds. "These include limited economies of scale, weak purchasing power and poor infrastructural development. But with AfCFTA in place, an investor can set up manufacturing hubs in the country and from here export goods to member nations, especially in West and Central Africa. Nigeria is located in the geographical centre of this subregion."

> "The agreement may officially have come into force in January, but many of its benefits will take years to materialise."

FURTHER INVESTMENT REQUIRED

So the promise of AfCFTA is great, both for the continent more widely and individual nations within it. But nobody is expecting a quick fix. The agreement may officially have come into force in January, but many of its benefits will take years to materialise. In many cases, large investments are still needed to create the conditions on the ground that allow free trade to flourish. Wamkele Mene made the same point in a recent interview with the Financial Times:

"If you don't have the roads, if you don't have the right equipment for customs authorities at the border to facilitate the fast and efficient transit of goods…if you don't have the infrastructure, both hard and soft, it reduces the meaningfulness of this agreement," he said.
Lawrence believes the situation in Nigeria echoes that point. "High transportation costs coupled with poor road and rail infrastructures are some of the major obstacles," he says. "The cost of transporting goods across borders is extremely high and traders encounter bureaucratic bottlenecks that could frustrate trading."

Sam Thakkar, CEO of UHY Thakkar & Associates, Uganda, agrees that for his country, AfCFTA presents a mix of opportunities and challenges. Uganda is a young nation – over 60% of the population is below the age of 30 – and has recently started to exploit its oil and gas reserves. The country has had experience of managing regional economic integration as part of the East African Community (EAC). "Therefore, opening our doors to a wider audience in Africa will no doubt lead to accelerated development of the nation," he says.

Despite that, Sam admits to a 'mixed bag of emotions' over the agreement.

"We have ongoing issues just within our regional EAC community so adding more states under the African Economic Community band will have to be slowly and carefully applied," he says. "Regional economic communities work differently to the policies laid out by AfCFTA. In East Africa we have our own customs union as well as our own free trade zones. These tariffs may conflict with the tariffs and schedules under AfCFTA and cause confusion when it comes to the application of various policies."

This is a crucial point. AfCFTA is not the first attempt by African nations to create free trade zones. Instead, it aims to supersede piecemeal regional agreements that exist in various parts of the continent. These agreements may be limited in scope and sometimes dysfunctional, but layering AfCFTA over the top is likely to cause administrative confusion, at least in the short term.

DRIVING CROSS-BORDER AMBITIONS

Still, the general consensus is that AfCFTA is necessary and, with the pandemic undermining already fragile economies, timely. "Uganda can benefit enormously from its participation in AfCFTA but must also ensure that infrastructure development, immigration, logistics and energy and IT are improved to make the cost of doing business efficient," says Sam. His words would find an echo in many of the 36 countries that have so far ratified the agreement and that can now trade with each other under its regulations.

> "By working together, we can help clients take full advantage of this agreement."

With the promise of lower costs and reduced bureaucracy, AfCFTA is likely to make cross-border expansion a more attractive proposition for many of the UHY network's African clients. Lawrence adds that his firm's membership of a transcontinental and indeed global network will make the process of establishing international operations even more efficient for ambitious client businesses. "We will be helping companies who want to establish their businesses across national borders by working with our fellow member firms outside Nigeria. By working together, we can help clients take full advantage of this agreement. We will be further solidifying partnerships with other firms in the region for this purpose," he says.

There will undoubtedly be bumps in the road, but AfCFTA has gained wide acceptance in Africa in a short space of time. Only one African nation – Eritrea – is yet to sign the agreement, and ratifications continue at an impressive pace. Meanwhile, negotiations on various details of protocol are ongoing, with agreements expected this summer. AfCFTA will take time, investment and commitment to be truly effective, but most experts believe the effort will be rewarded. The world's largest free trade area is likely to prove a large step forward for African economic integration, and ultimately for African prosperity. ■

For more information about UHY's capabilities, email the UHY executive office, **info@uhy.com** or visit **www.uhy.com**

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GLOBALLY TAXING

TRANSFER PRICING STUDY AIDS INTEGRATION FOR SWISS MEDIA GIANT

NZZ is a Swiss media conglomerate that publishes Neue Zürcher Zeitung, a German language newspaper often considered Switzerland's paper of record. Neue Zürcher Zeitung, founded in 1780, is something of a Swiss institution and is one of the oldest newspapers in the world that is still published.

But like many media businesses, NZZ has diverse interests. Neue Zürcher Zeitung may be its flagship, but another side of the business is firmly embedded in the world of architecture. NZZ owns Architonic, an online platform that helps architects stay abreast of the latest furnishings, fittings and materials. Architonic attracts 16 million visitors per year.

In 2020 Architonic acquired ArchDaily, the world's most visited architecture website. Together, Architonic ArchDaily (as the combined business is known) provides and operates architectural platforms for the largest international online community of designers and architects, attracting 168 million visits annually and boasting 8.6 million social media followers. It has subsidiaries in Chile, China, Germany, Hong Kong, Mexico and the US.

THE INTEGRATION PHASE

Incorporating an acquired business into an existing corporate structure is never entirely straightforward. Given the global nature of ArchDaily, it was always likely that the integration phase would include addressing a number of international tax process issues. The business turned to NZZ's long standing tax partner Balmer-Etienne, UHY's member firm in Switzerland.

"Our audit partner, a Big Four firm, is sometimes engaged for specific consulting projects," says Walter Fröhlicher, head of group finance and tax for NZZ. "However, we were looking for a pragmatic solution, preferably from a single source with our tax advisor Balmer-Etienne, which is why we gave preference to UHY. Balmer-Etienne is connected to the global UHY network."

The importance of that connection soon became apparent. Balmer-Etienne was asked to prepare a transfer pricing study on international intercompany transactions within the ArchDaily Group, and to determine the transfer pricing method to be applied.

AN INTERNATIONAL EFFORT

Balmer Etienne partner Stefan Wigger contacted transfer pricing specialist Donna Frye, director of transfer pricing services at US member firm UHY Advisors Inc., Michigan, for her help in the global project management required, and Donna set about gathering the data that would form the foundation of the study – interviewing ArchDaily employees in Switzerland, Chile, Mexico and China. She also enlisted the support of UHY's Argentinian member firm, UHY Macho & Asociados, to support the work in Chile, a small but important role as Chile used to be the company's headquarters.

A WELL RECEIVED PROJECT

The concrete result of these efforts is an internal Arms Length offsetting model that has now been set up and documented. The Arm's Length principle states that entities under common control must interact 'at Arm's Length', treating each other as independent businesses. UHY transfer pricing specialists have ensured the Architonic ArchDaily model is compliant with the principle and meets the requirements of both the OECD and US IRS. The project typifies the value of UHY member firms coming together to meet the needs of an important client.

"It was remarkable how efficiently and purposefully the work was done, even though the input of people in very different continents and time zones was necessary," says Walter Fröhlicher, who also praised the UHY team's 'broad experience and process knowhow'.

The transfer pricing study is a one-off project and is now complete, but it has furthered the relationship between a member firm and an important and growing client, and shown the UHY network at its best.

"UHY is an important external service provider with whom we have been able to pragmatically and efficiently develop the necessary work results, allowing us to correctly and compliantly manage tax processes in the international environment," says Walter. ■

UHY IN THE MEDIA SECTOR

Member firms across the UHY network have extensive experience in offering tailored services to media businesses. Services include tax and corporate services, advising on corporate structure, finance advice and transfer pricing. Businesses looking to expand overseas also benefit from the close relationships between UHY member firms around the world.

> The project typifies the value of UHY member firms coming together.

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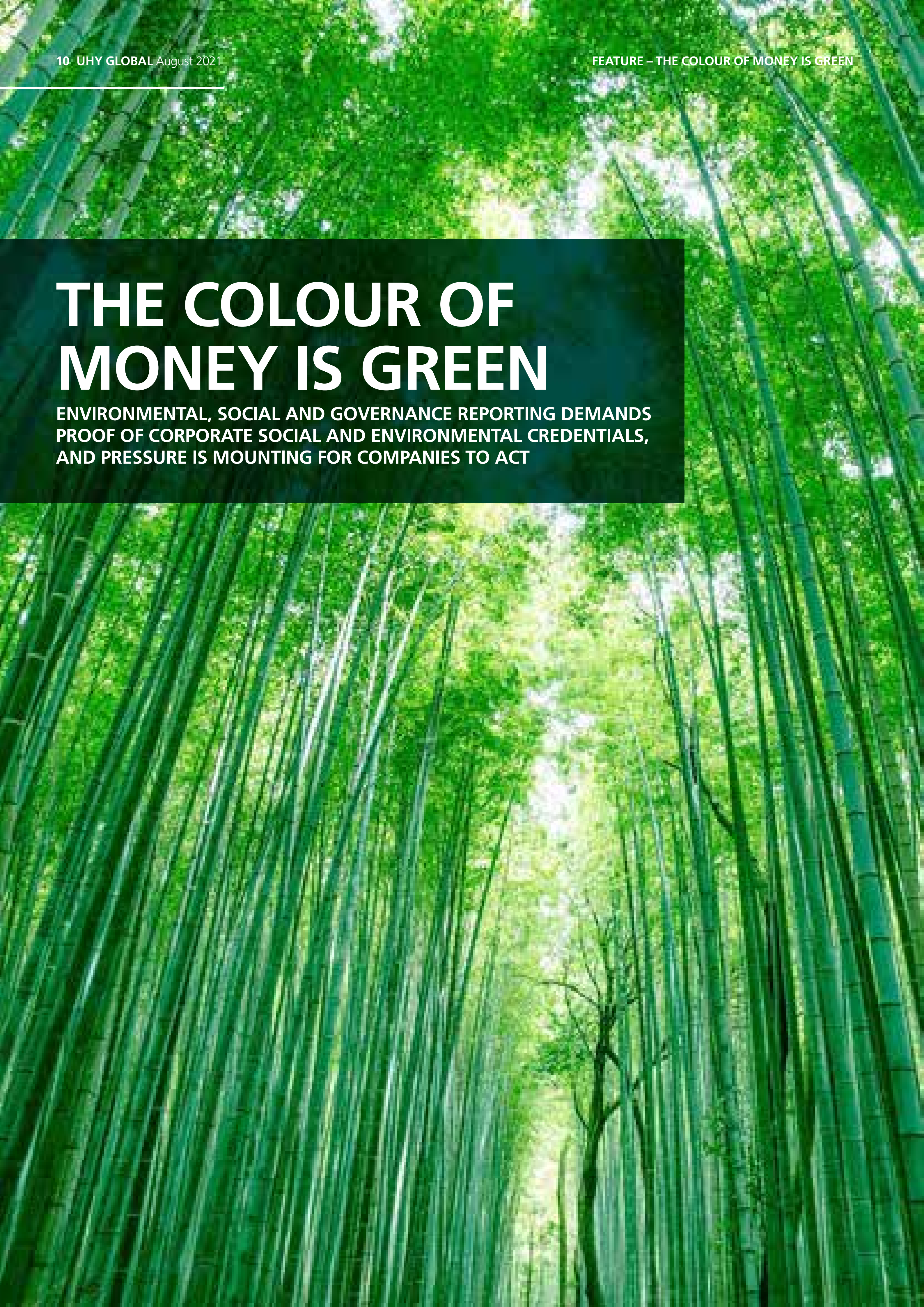

THE COLOUR OF MONEY IS GREEN

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING DEMANDS PROOF OF CORPORATE SOCIAL AND ENVIRONMENTAL CREDENTIALS, AND PRESSURE IS MOUNTING FOR COMPANIES TO ACT

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Responsible companies have been around since the dawn of capitalism, but in the last half century or so the concept of a social contract between business and society has taken on new prominence.

Corporate Social Responsibility (CSR) is the idea that companies should act in ways that enhance society and the environment instead of damaging them. A socially responsible business might aim to adopt sustainable production processes, for example, or allow staff paid time off work to volunteer for local charities.

> It is no surprise that organisations are keen to advertise their CSR credentials.

Nobody forces businesses to adopt CSR practices, but it is increasingly in their interests to do so. According to one study, 88% of consumers in the US and UK want brands to help them live more sustainable lives. Further research suggests that millennials and the generations that follow them want to support businesses that share their social and environmental values.

COUNTERING ACCUSATIONS OF SPIN

Organisations are keen to advertise their CSR credentials, but what they do and how they record it is up to them. Corporate CSR measures can be genuine and impactful, but difficult to measure. The self-regulatory nature of CSR and a lack of consistency in reporting have led to accusations of corporate spin and ‘greenwashing’, and a sense that CSR has become a marketing tool for promoting symbolic gestures. For that reason, CSR is increasingly morphing into ESG.

Environmental, Social and Governance (ESG) is an evolution of CSR that adds hard data to company pronouncements. Businesses do not just talk about their sustainable production processes, they prove it. ESG covers environmental impact, company culture and leadership – it takes into account diversity, inclusion and board composition, as well as green or philanthropic measures. While consumer pressure for more responsible business is still being applied, ESG shows that it is evolving from a voluntary ambition to something that is increasingly necessary.

Joyce Bruce is sustainability and CSR manager at UHY Fay & Co in Spain, and says ESG reporting is one of the firm’s fastest growing areas. “In the Spanish market, some large companies – above 250 employees – are required by law to provide non-financial and sustainability reports. Almost all companies, and generally those with over 50 employees, are required to have and register a gender equity plan.”

Joyce adds that ESG reporting, while clearly beneficial for corporate reputations, is often a prerequisite for participation in larger supply chains. Andrea D’Amico, partner at UHY Audinet Srl, UHY’s member firm in Italy, agrees that regulatory and consumer pressure for sustainability is filtering through the procurement process. “Large companies are imposing strict compliance requirements regarding sustainability on their production chains,” he says. “So it is a matter of survival.”

In Malaysia, UHY group managing partner Datuk Alvin Tee has detected a greater focus on ESG since the start of the pandemic. “ESG practices have been more robust since Covid,” he says. “The pandemic has led to the adoption of more sustainability-focused business models.

There are changing expectations of the role business plays in improving society and protecting the environment."

SUSTAINABLE RETURNS

The pressure for ESG reporting is also coming from another, more unlikely, source. In 2020 the European Securities and Markets Authority (ESMA), the EU's securities markets regulator, published its Strategy on Sustainable Finance, which set out how the organisation aimed to embed ESG factors in its work. ESMA chair Steven Maijoor said financial markets were at a point of change and that sustainability factors were 'increasingly affecting the risks, returns and value of investments'.

This is an increasingly worldwide phenomenon. Datuk Alvin Tee says the Malaysian government is playing a greater role in ensuring the adoption of ESG initiatives by the corporate sector, often through the promotion of sustainable investment. The aim is to 'facilitate and encourage greater growth of SRI (Sustainable and Responsible Investment) funds in Malaysia', he adds. Despite the fact that ESG is a relatively new concept in the ASEAN region, he believes the adoption of ESG principles is capturing mainstream investor attention.

Authorities have been joined by major investors in realising the value of sustainability as a driver of value. In May, Black Rock, the world's largest asset manager, published an ESG Integration Statement, outlining its 'firm-wide commitment to integrate ESG information into our investment processes'. Black Rock isn't the only asset manager taking this approach. Investments that take ESG analysis into account now amount to a third of total US assets under management, while global ESG-data driven assets hit USD 40.5 trillion in 2020. Three quarters of institutional investors now consider ESG factors an integral part of sound investing. While some investors may be keen to promote environmental and social responsibility for their own reasons, all of them want the best return on investment. There is a growing sense within the investment community that sustainable businesses are simply the safest bets.

Figures seem to support that view, at least for now. A market report published in April by S&P Global found that many ESG exchange-traded funds outperformed the S&P 500 index average in the year to March, in some cases by a factor of two. Some commentators say evidence is mounting that an ESG focus gives funds a competitive advantage.

NO GUARANTEES

Others urge caution. Adam Wing, a financial advisor with UHY Financial Planning, a service offered by UK member firm UHY Hacker Young, argues that longterm data on the performance of ESG funds is still thin on the ground, and that there is no guarantee that they will continue to outperform the market. Nevertheless, he agrees that impressive recent performance has pushed ESG-focused investing into the mainstream.

"Over the longer term it remains to be seen whether ESG fund managers will identify the companies that will prosper in future, but with many more people thinking carefully about where to invest their savings, ESG investment is no longer a fringe area," he says.

> "Younger investors are often seen as driving demand for 'greener' products."

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Legislative changes will only add to the appeal of ESG-focused funds. "In the UK, financial advisers will soon be required to ask clients about their attitudes towards ESG when advising on suitable investments," says Adam. "Younger investors are often seen as driving demand for 'greener' products. But these changes will mean investors of all ages will be asked to consider how their money is invested, and whether they want to bring ESG factors into the investment mix."

It's not just publicly traded companies that stand to gain from increasing regulatory and customer focus on responsible business. Private investors do not need to be especially environmentally or socially minded to see the appeal of organisations that stay a step ahead of environmental and diversity laws and appeal to a growing number of consumers. In a recent study, 72% of private equity managers said they always screen target companies for ESG risks and opportunities at the pre-acquisition stage.

Investors using ESG as part of their screening criteria are likely to become more typical as regulations tighten and more consumers make purchasing decisions based on a company's overall ESG credentials, including supply chain sustainability.

A GROWING DEMAND

It is no wonder, then, that the UHY global network has seen an increase in ESG and CSR-related requests from client businesses. In Italy, Andrea and his team are seeing a growing demand for the preparation and auditing of non-financial reports, and helping businesses prepare tenders for EU-funded projects, which are increasingly focused on sustainability. UHY Malaysia offers clients tailored consultancy that includes setting KPIs for ESG initiatives and ESG reporting.

In fact, ESG is becoming increasingly important in wider company reporting, with three quarters of year end reports setting out clear purpose beyond making money for shareholders, according to one recent study of 50 FTSE 350 companies. There is a wide disparity in the quality and depth of non-financial reporting. Accountants are key to ensuring sustainability information is always accurate and transparent, and the profession – through bodies like the International Federation of Accountants (IFAC) – is pushing for consistent global standards against which ESG claims can be judged.

In Spain, UHY Fay & Co offers advice on disclosing and communicating ESG information, assurance of disclosures for EU compliance and sustainable supply chain management. Joyce says companies need to take professional advice before making ESG claims, or risk accusations of greenwashing or using green marketing to disguise unsustainable business models.

"Stakeholder scrutiny on companies is intensifying," she says. "Companies that greenwash will soon find themselves in situations of lost trust and then may find themselves with difficulties when it comes to accessing capital markets."

It is not just companies indulging in greenwashing that may find themselves in that position. The pandemic is likely to give the ESG agenda added momentum, as employees and consumers demand healthier workplaces, inclusive hiring policies and more sustainable business models. Environmental regulation will only get tighter as nations edge closer to carbon reduction deadlines. ESG reporting may soon be a critical factor in every company's appeal to investors, public bodies and a growing number of concerned customers.

> "Around the world ESG is becoming increasingly important in wider company reporting."

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A GROWTH INDUSTRY

WITH AN IPO IN THE PIPELINE, ONLINE HORTICULTURAL SUPPLY COMPANY IPOWER TURNED TO UHY FOR PROFESSIONAL AND TIMELY SUPPORT

Lockdowns have seen many of us take to our gardens, lavishing time and money we might otherwise have spent on restaurants and holidays – and in the US the gardening boom has fuelled an already buoyant sector.

One beneficiary was iPower, a hydroponics and gardening product supplier based outside Los Angeles, California. iPower supplies nutrients, growing mediums, hydroponic equipment, power-efficient lighting and more, selling through its website and third party e-commerce channels like Amazon, eBay and Walmart. The business sources products from popular brands and has also established in-house branded products, marketed under the iPower and Simple Deluxe labels.

The business has grown since it was founded in 2018, but 2020 was particularly successful, continuing into 2021. Around 75% of sales revenue in 2020 was from Amazon, where the business experienced 87% growth. Sales through Walmart grew by 200% year-on-year during the same period.

Against this background, co-founder and CEO Lawrence Tan and his team felt the time was right to push iPower to the next level. "The hydroponic and gardening industry is quite fragmented, and retail outlets tend to be smaller family enterprises in a single location," says Lawrence.

"We intend to take advantage of current market conditions by providing consumers with a one-stop shopping experience where they can satisfy all their horticultural needs and have the products shipped directly to their door." The business decided that the logical next step was an IPO (Initial Public Offering), and iPower turned to US member firm UHY LLP's team in Orange County, California, to help prepare the business for public listing.

> I'm very confident in the future and would certainly recommend UHY LLP to other businesses.

THE IPO AUDIT

The right professional support is crucial for the complexity of IPO preparation. For the registration statement businesses need to show financial audit reporting for the last two or three fiscal years based on the size of the business. Public businesses are subject to Securities and Exchange Commission (SEC) regulations, which means financial reports issued as a private business are usually insufficient for IPO registration. Pre-IPO financial audits need to demonstrate compliance with public-entity accounting principles and meet additional SEC disclosure requirements.

Naturally, when iPower was considering an accounting firm to conduct the pre-IPO audit, it looked for one with specific experience of this type of specialist work. The company considered a number of accountancy firms but chose UHY LLP because of its wide experience of auditing mid-market clients for the purposes of IPO. "The expertise that was most valuable to us was the firm's extensive experience of auditing publicly traded companies," says Lawrence.

Another deciding factor was the trust that had built up between UHY audit principal Crystal Li and iPower's vice president of finance Alice Wu during discussions around earlier projects.

iPower officially launched its listing in the second half of 2020, with the IPO set for the following May. This gave the UHY audit team, led by Michael Burke, audit partner, Crystal Li, audit principal and Yu-ta Chen, audit manager, little room for manouevre. However, they completed the job on time and the financial audit report was issued in November 2020.

A QUICK TURNAROUND

Lawrence was impressed with the results. "The UHY team completed the initial two-year audit – to be included in the first SEC registration statement filing – within 60 days. They then completed all the filings to help us complete the listing on the NASDAQ stock exchange."

With the help of UHY, iPower became a public company on May 14, 2021, with gross IPO proceeds of USD 16.8 million. The share price rose 15% on the first day of listing. More importantly, Lawrence believes the IPO has created a firm foundation on which to grow the business into the leading hydroponic and gardening equipment supplier in the US. He has no hesitation in recommending UHY to businesses considering their own public listing.

"I'm confident in the future and would recommend UHY to other businesses that need a highly professional team," he says. "We're happy with everything they did - they've set a very high standard for others to follow." ■

IPOWER

UHY IN THE RETAIL SECTOR

UHY member firms have wide experience in the retail sector, on and offline. We work with luxury brands, major international retail chains, e-commerce specialists and single market businesses. Our specialists around the world understand the needs of retail clients, from stock monitoring to supply chain logistics. Our collaborative international network means that, when clients look to expand, UHY can provide all the specialist local knowledge they need.

LANDMARK TAX FRAMEWORK

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Over 130 countries and jurisdictions, representing more than 90% of global GDP, have signed up to the OECD's new framework for international tax reform.

The OECD's 'Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy' forms part of the wider OECD/G20 BEPS Framework and follows a milestone tax accord agreed by G7 finance ministers in June. The framework introduces taxation of multinationals in the countries where they operate, not only where they are headquartered or have a physical presence, and a global minimum corporate tax rate. G20 finance ministers have signed off on a minimum rate of 15% tax on corporate income for multinationals with revenue over USD 890 million.

The framework is expected to be finalised in October 2021, with the new tax system effective from 2023.

INTEREST RISE FOR CENTRAL BANK CRYPTO

Japan and Thailand are among the latest economies to explore central bank digital currency (CBDC).

The Bank of Japan began a year-long phase one proof of concept exploration of the technical feasibility of a digital yen in April 2021. Drivers include improving the stability and efficiency of settlement systems and meeting the potential need for a CBDC to support a digital society. Following a period of public consultation, the Bank of Thailand plans to start piloting a retail CBDC in spring 2022, with the aim of providing a digital currency for online and offline transactions and giving broader access to financial services.

More than 85% of central banks are now exploring CBDC in some way. The Bahamas was the first to fully launch a nationwide CBDC in October 2020. China became the first major economy to begin piloting a CBDC in April 2020. It is hoped that both Chinese citizens and foreign visitors will be able to use the digital yuan at the Beijing Winter Olympics in 2022.

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TIMELY TECH SUMMIT

Over 2,000 delegates from 125 countries joined the first World Economic Forum Global Technology Governance Summit, held virtually in April 2021 and hosted by the Japanese government. Prime minister Suga Yoshihide emphasised the timeliness of discussions among global leaders on the implementation of digital technologies in the post-Covid era.

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Summit outcomes include the launch of new Global Smart Cities Alliance regional networks in Latin America and South Asia, a commitment to address challenges and opportunities around the rise of digital currency, an initiative to accelerate the impact of the Internet of Things (IoT) for SMEs, and a roadmap to advance IoT governance.

The WEF was holding a special meeting in Singapore in August 2021.

NEW HEAD AT OECD

Former Australian Finance Minister Mathias Cormann has become the new secretary-general of the Organisation for Economic Co-operation and Development (OECD).

Cormann took up his post on 1 June 2021 and is expected to serve a five-year term. He succeeds Mexican economist and diplomat Ángel Gurría, who led the organisation for 15 years.

Born in Belgium, Cormann migrated to Australia in 1996. As well as serving in the Australian government, he has represented Australia in the OECD, G20, APEC, ASEAN and the World Economic Forum. Speaking on his appointment, he said the OECD's 'essential mission of the past – to promote stronger, cleaner, fairer economic growth and to raise employment and living standards – remains the critically important mission for the future '.

(OECD/Victor Tonelli (c) OECD CC-BY-NC/3.0/igo)

PURPOSE, PEACE AND PROSPERITY

Growing up in former Yugoslavia, Helena Budiša was a studious child who loved dressmaking and gardening – but she was quietly nurturing a dream to become an entrepreneur, an ambition undimmed by war and the birth of a nation.

When Helena launched her own business in 1995, accountancy was a profession still in its infancy and the Croatian war of independence had created economic uncertainty. Today that company, now known as UHY HB EKONOM, is a proudly successful accountancy business that celebrated its 25th anniversary in 2020.

Helena's dream ran alongside a desire to understand how businesses could flourish. "I represented our school in accountancy competitions and I had a hunger to understand how businesses could benefit from it."

After graduating from college in Split, Helena briefly worked for a bank and joined the accountancy team of a small company. "In my head I always saw the bigger picture – I longed to improve my country's status and instil belief and confidence that it was a great place to do business."

GOING IT ALONE

Determination and family support were key to Helena's progress. "My vision was to improve myself, my profession and our community – the situation in 1995 was difficult due to war, but my desire for change was bigger than my fear of failure."

> "The situation was difficult due to war, but my desire for change was bigger than my fear of failure."

> "Teamwork is important at UHY and that is why I am very happy to be part of it."

As one of the first generation of certified accountants in Croatia, Helena saw big potential. "Accountants build companies from the ground up, and can be the first to see opportunities and threats, but many people didn't take us seriously. This spurred me to obtain a certified auditor's licence. Then people took notice."

BUILDING A BASE

Helena and her new team created a digital shop window – her accountancy business was the first in Dalmatia to have a website. "Clients started asking for advice and our English-language website brought us foreign investors."

Clients grew and the business gained momentum. In 2007 came an invitation for UHY membership. "That did not happen overnight," says Helena. "There were days of hard work, conversations and advice and the selection of the best associates. Plus boundless patience from my family!"

"We recognised the benefits of global cooperation and our UHY membership has brought us the opportunity to progress. Our English-speaking team provide services at the highest level. Teamwork is important at UHY and that is why I am very happy to be part of it."

Her commitment to entrepreneurship allowed Helena to explore things that matter to her. "I was elected Ambassador of Women's Entrepreneurship (AWE) in Brussels," she says. "People often ask me about entrepreneurship so I am thrilled when they later tell me that our meeting was pivotal."

Helena also joined the Croatian Association of Employers, and in 2013 was elected vice president of its executive board, a position she has held for eight years. "It's about removing barriers to business. I consider our greatest success the reduction of taxes on employee income and of income taxes for small and micro-entrepreneurs."

PUTTING CLIENTS FIRST

Even before the pandemic, UHY HB EKONOM was focusing on digitising process and systems to create a more innovative approach, and Covid merely sped up projects like cloud accounting. The firm's app offering online delivery of documents plus the ability for business owners to check their financial data was groundbreaking. "The project was implemented by our internal consultants from UHY Consulting, I'm very proud of them." says Helena.

Despite all her success, Helena never underestimates client loyalty and works hard to keep those relationships strong.

FRIENDSHIP AND FAMILY

Do you have a business 'superpower'?
"People have said of me that I will find something good in every situation. That makes me happy."

What makes Croatia such a great place to do business?
"Croatia combines Mediterranean lifestyle and Western business style. I'm an hour or two away from London, Paris, or Istanbul yet I get to live in a small town with a third century Diocletian palace! We have an amazing climate, connections to Europe, great entrepreneurship and a growing startup culture."

Tell us about your family?
"My husband Branko is my rock. For 20 years he ran his own company, but now we focus on one business. I couldn't sustain these multiple roles if he wasn't supporting me. He is the best cook! My son Kresimir specialises in project management and my daughter Mila is a career development specialist for Croatia's biggest company."

How do you relax?
"I am privileged to live on the coast. I spend time with my family in our weekend home where I have my flower garden and a terrace overlooking the sea."

What ambitions do you still have?
"New ideas are always spinning in my head. I am no longer the only person in charge of strategic development so I work on this with my partners. We are guided by the motto, 'If you want to go fast, go alone, but if you want to go far, go together'."

Who or what makes you laugh?
"My five-year-old granddaughter Nikolina. *(pictured left, with Helena)* I love the way she thinks outside the box. During our times together, along with my husband, we are trio fantastico."

Tell us something about you that not many people know?
I love making natural oils, body lotions and perfumes from lavender and immortelles from my garden and give them as gifts.

"Maintaining trust, sharing ideas and knowledge are key to our growth. We organise regular business breakfasts and networking events, our monthly newsletter keeps clients informed and we stay active on social media where we share news and tips. We are here to help entrepreneurs keep their business simple and more successful." ■

NEW ACCOUNTABILITY

WHEN THE GOING GETS TOUGH, CORPORATE GOVERNANCE SYSTEMS MUST STAND FIRM, BUT OFTEN DO NOT. IMPROVING THEM IS A PRIORITY ACROSS THE WORLD.

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Despite widely adopted international financial standards for auditing and assurance, companies are still failing, and failing big.

When German financial payments provider and DAX stock exchange member Wirecard AG collapsed a year ago, it admitted that EUR 1.9bn (USD 2.24bn) of the cash on its books did not actually exist. More recently in May this year, UK investment capital company Sapien Investment was fined GBP 178k (USD 245k) for failing to have in place the adequate systems and controls to identify and mitigate risk from fraudulent trading and money laundering. Other high profile failures of financial and corporate governance are widely documented.

For its part, the International Auditing and Assurance Standards Board (IAASB) which is responsible for setting high-quality international standards for auditing, assurance, and quality, is introducing a revised quality management process for auditors and corporate finance chiefs which will take effect from December 2022. The new standards will provide greater public scrutiny of corporate finances and will strengthen public confidence in the global accounting professionals whose role is to apply the right checks and balances.

But despite global standards such as these, there is no common model for best practice corporate governance per se. Countries and regions around the world have different levels of regulatory and business maturity, different cultural and business behaviours that impact on rules, leadership and decision-making. The good new is, there is plenty of commitment to improve.

FAMILY TIES

According to James Mathew, managing partner, UHY James Chartered Accountants, Dubai, UAE, "In the Middle East it is very common for countries to have family-owned businesses so the corporate governance structures are often driven more by family ties and values, cultural traditions and historical practices set in place by the founders. While such structures have the key elements of good governance, they may not necessarily be formal."

Factors such as trust in the spoken word instead of written agreements, board members selected from within a family, and hierarchical succession can all be difficult. "While a code of conduct is practiced, it may not necessarily be in writing. When commercial factors play a part in decision-making, the interest of the family is often an overriding factor, says James. "In the case of more influential family businesses, decisions are also influenced by key national initiatives announced by the rulers of the country."

However, efforts are being made to improve things. Like many countries in the Middle East where the major population comprises expatriates, the transient workforce and a multicultural working environment are additional common challenges for employers and employees.

> "Factors such as trust in the spoken word instead of written agreements, board members selected from within a family, and hierarchical succession can all be difficult."

Of his own country, James remains positive: "the UAE has always taken the lead in implementing initiatives to support the setting-up and running of businesses."

ANTI-CORRUPTION EFFORTS

Effective corporate governance should also be a bastion against corrupt business practice. In the South East Asian region there is a growing focus on anti-corruption with government pledges to fight malpractice. For example, China's revised Anti-Unfair Competition Regulations means there is now a legal requirement for companies to have a compliance programme and this has implications for corporate governance practice, due diligence, accurate financial reporting and the appointment of compliance team members.

> "There are strong efforts being made across the world to improve governance and better protect from business failures."

In June 2021, Japanese electronic giant Toshiba's shareholders voted to remove their chairman Osamu Nagayama after just a year in office, following an independent investigation into the company in a real test of Japanese corporate governance. The investigation found that Toshiba executives had colluded with Japan's trade ministry to put pressure on international investors. The company is no stranger to corporate governance failures, having hit the headlines with 2015's USD 1.2bn overstated accounting profits scandal, and has faced increasing demands ever since to enhance governance. The removal of Nagayama is therefore seen as something of a landmark.

In the Republic of Korea, the Financial Services Commission (FSC) is promoting newly-introduced legal measures to improve supervision of non-holding financial groups, a category previously overlooked by the country's regulators despite such groups having an increasing capital management profile. The new rules will require self-inspection and assessment and transparent reporting to the FSC on group-wide risks. The authorities hope this will encourage better management practices as well as improve market confidence.

Things are shifting in Africa too. The Kenyan government has implemented harsher corruption and bribery laws and there is a renewed focus on corporate governance issues in Nigeria where companies have been required to follow the Nigerian Code of Corporate Governance since January 2020.

The Code's recommendations include the composition of a board committee as a minimum of three members, the chairman of the board not being a member of any board committee, private companies having audit committees comprising only non-executive directors, and external audits. There is also a requirement for an externally facilitated Corporate Governance Evaluation.

TOWARDS BETTER STEWARDSHIP

Everywhere has, of course, been touched by the coronavirus pandemic and this will inevitably have an impact on corporate governance. According to Martin Jones, partner, UHY Hacker Young, UK, "It has made companies stand back and reassess their operations, supply chains and relationships with other stakeholders."

It has also led to greater resilience. "Most companies in the UK were able to adapt fairly quickly with technology in place to enable remote working procedures," says Martin. "In terms of Annual General Meetings (AGMs), companies adopted a mix of 'closed-door', hybrid and virtual meetings depending on their circumstances." Martin believes this is likely to change the traditional AGM format in the longer term. There are strong efforts being made across the world to improve governance and better protect from business failures. Progress can be slow, but it is generally positive.

The global focus on climate, diversity and sustainability has pushed Environmental, Social and Governance (ESG) reporting to the fore, an additional encouragement for corporates to disclose non-financial performance alongside the numbers. With developed and developing economies working their way (albeit at different speeds) to carbon neutrality, as a response to government initiatives, global treaties and stakeholder pressure – not least the investment community – ESG should help boards everywhere to take a more holistic view of their business, which will in turn encourage more resilient organisational models.

So it seems probable that we can look forward to better governance in the years ahead, despite the lack of a 'one size fits all' approach. Top-down enforcement improvements through tightening of regulations, financial and auditing standards, plus bottom-up pressures for greener accountability and transparency, are set to make a real difference. ■

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SERVING CLIENTS TODAY AND TOMORROW

Our clients appreciate how UHY's culture of working together makes a significant difference to seamless international engagements. We deliver because our member firms know each other well, we meet and connect regularly, and we share current thinking, specialist skills, and industry knowledge across the world.

We also share a common set of standards – not only the international quality standards demanded of our profession, but also the values by which every UHY member firm holds itself accountable to its clients including integrity, innovation, and international thinking.

UHY member firms offer the following services:

CORPORATE SERVICES

Note: Not all of the services described in this publication are provided by every UHY member firm. The provision of some services may be restricted in some areas depending on local legislation.

- **AUDIT & ASSURANCE,** including: statutory audit, internal reviews, compilation and review of financial statements including compliance with International Financial Reporting Standards (IFRS), special purpose and international audits.
- **BUSINESS ADVISORY & ACCOUNTING,** including: accounting and bookkeeping, outsourcing, business plans and independent business reviews, business valuations, financial planning and control, reviewing management reporting systems, company formations and company secretarial services including appropriate commercial and tax-efficient structures for international expansion and cross-border ventures, trusts and foundations, pension funds, charitable and philanthropic structures, interim finance & management, payroll administration, employee benefits and business systems.
- **CORPORATE FINANCE,** including: strategic business advisory services, business valuations, due diligence, transactional services (acquisitions, mergers, disposals, MBOs, IPOs) across all industry sectors and geographies, restructuring, exit strategies and startups.
- **CORPORATE GOVERNANCE & RISK MANAGEMENT,** including: corporate governance, risk management and consulting including Sarbanes-Oxley compliance services.
- **CORPORATE RECOVERY & INSOLVENCY,** including: debt collection, corporate turnaround, asset protection or repossession, or implementing good management practices, refinancing, valuations, debt management, insolvency planning, personal liability protection.
- **CORPORATE TAX,** including: direct taxation and indirect taxation, international tax such as tax-efficient structures for international expansion and cross-border ventures, transnational group structuring, VAT returns and advice, tax consultancy and transfer pricing.
- **FORENSIC ACCOUNTING & LITIGATION SUPPORT,** including: litigation support, valuations, economic damages, fraud evaluations, criminal proceedings and money laundering issues.
- **FUND SERVICES,** including: fund establishment and administration.
- **LEGAL,** including: tax law, labour law, etc.
- **INTERNATIONALISATION,** including: business contact introductions, local regulatory requirements and business etiquette, local business tax environment, business structuring and compliance, personal taxation, recruitment and labour law consultancy, transfer pricing, customs and other fiscal areas.
- **MANAGEMENT CONSULTING & SOLUTIONS,** including: internationalisation of businesses, human resources and recruitment services, information technology and software solutions.

PRIVATE CLIENT SERVICES

Key services include: wealth management for individuals and families, income tax and capital gains tax planning, international tax planning for expatriates and migrants, non-domicile status, trust services and management, inheritance planning.

OUR COMMITMENT TO QUALITY

Quality is one of UHY's main values – because it is so important to us we strive to achieve this in everything we do. Each of our independent member firms has signed a Quality Charter committing to the adoption and achievement of performance and service objectives considered essential to delivering this quality promise to clients.

The expectations we have of our member firms are benchmarked to recognised international professional standards. We set specific quality goals and expectations for our independent member firms to meet, covering areas such as client service efficiency and relationship management, professional work standards, depth and breadth of products, services and geographical coverage. Collectively, they represent our aim to provide clients with consistent, seamless, professional and timely cross-border services.

Our member firms are evaluated annually against UHY's quality expectations, allowing us to assess our performance and outcomes, and look for new ways to improve further. We focus on quality through:

- Leadership
- Client acceptance procedures
- Full membership of the Forum of Firms
- Compliance with ethical obligations set out by the International Federation of Accountants in its global standard, Code of Ethics for Professional Accountants
- Human resources policies and procedures, such as education and training
- And, of course, quality control procedures in accordance with internationally-recognised standards.

It is our belief in quality as a value and the successful implementation of that value across all our service areas that make our network more dedicated to quality than many other networks.

CYBER-PUNKS

AS THE WORLD GOES EVER-FURTHER DIGITAL, CYBERSECURITY SERVICES AND ADVICE FOR BUSINESSES OF EVERY SIZE IS BECOMING MORE CRITICAL

In January 2021 the World Economic Forum published the Global Risks Report, its annually depressing read of things that can and might go wrong with the world.

Among the highest likelihood risks of the next ten years were digital power concentration, digital inequality and cybersecurity failure. It is worth remembering that back in 2006 the same report warned that 'lethal flu, its spread facilitated by global travel patterns and uncontained by insufficient warning mechanisms, would present an acute threat'. So the report is definitely one worth taking seriously.

ACCELERATED RISK

Research from McKinsey has shown that the Covid-19 crisis accelerated digitalisation in ways nobody could have ever predicted. Consumers have headed online in their droves and companies have responded rapidly. Video has replaced coffee-shop meetings and conferences and cloud accounting solutions have seen a boost. McKinsey found that companies moved 40 times faster than they thought possible before the pandemic to implement remote working solutions.

The cybersecurity implications are eye-watering to consider, but cannot be ignored – particularly in light of recent cyberattacks, including one that shut the largest US gas pipeline and jeopardised supplies to major US cities. There is also risk from software bug-related internet outages, like the one from infrastructure provider Fastly that knocked out many of the world's biggest websites. Incidents like this serve to highlight how increasingly vulnerable we are as digitisation increases. Research from SEO agency Reboot suggests that the Fastly outage could have lost Amazon as much as USD 32million in sales.

THREATS IN 2021

The majority of cyber threats this year will fall broadly into three areas, says cybersecurity specialist Norman Comstock, managing director of UHY Consulting, part of UHY Advisors, US.

The first is phishing – attempts to obtain sensitive information or data, such as usernames, passwords, credit card numbers or other sensitive details by appearing to be a trustworthy entity in a digital communication. Secondly, there is ransomware – a type of malware that employs encryption to hold a company or individual's information to ransom. And thirdly, business email compromise (BEC) is a cyberattack involving the hacking, spoofing, or impersonation of a business email address.

"Ransomware and business email compromise have been increasing over the past few years," says Norman.

"So far this year we are getting four times as many reports from our US customers experiencing significant attacks, and across many industries. The dollar amount of ransom is creeping up too, making it difficult for some businesses to recover control and resume normal operations."

There are multiple risks contributing to the rise in incidents. The advent of ransomware as a 'service platform' makes it easy for unskilled bad actors (those with criminal intent) to seek a high return on investment by renting ransomware platforms to target vulnerable companies. "The fact that ransom is being paid emboldens the threat actors to execute more ransomware campaigns," says Norman. Colonial Pipeline paid USD 4.2million in ransom after significant disruption and concerns for public safety.

VULNERABLE SOFTWARE

The number and severity of software vulnerabilities is also growing. The challenge is to patch known vulnerabilities, as ransomware platforms are not overly sophisticated. Much of the ransomware relies on poor security hygiene – unpatched vulnerabilities, misconfiguration of software, insecure network protocols, not closing unnecessary networking ports, insecure coding practices, or users failing to recognise phishing attempts.

More recently, Norman Comstock says he has seen small banks, law practices, healthcare and manufacturing clients hit with BEC. "Our forensic review revealed that their Microsoft 365 mail had been

> Cybersecurity expertise is increasingly available to UHY clients thanks to centres of excellence.

compromised primarily because multifactor authentication was not configured or inadvertently disabled. Customers using Microsoft 365 mail should review their configuration and turn on multi-factor authentication to reduce BEC risk."

Data and system backups are also worthy of close attention. "Whether backups are done on premises or to the cloud, all companies should verify that their backups are periodically tested to ensure recovery. This will minimise costly exposure and perhaps the need to pay a ransom," he says. To make matters worse, none of these risks is diminishing. In fact, reports suggest that hackers are getting smarter.

EXPERT ADVICE

While many accounting firms, consulting firms, and IT vendors offer some aspect of triage to identify security risk, small and mid-sized businesses often do not have dedicated security teams. This means they rely on products and third-parties to help identify risks and implement protective technologies.

"What is generally missing or ineffective in this approach," says Norman "is the personnel, technology and process to detect unexpected network, account, or system activity." And naturally, the slower the detection the slower the response. But, he adds, "The response should involve investigation, confirmation, communications and corrective actions to disrupt hacking activities. This is critical, as protective controls are fallible and detective controls may be under-resourced, leading to undetected and unresolved hacking activity and longer and costlier recovery."

According to Dr Anuraag Guglaani, management consulting partner at UHY James Chartered Accountants, Dubai, United Arab Emirates, who leads the firm's strategy, transformation, automation and cybersecurity services, "A combination of poor governance through incomplete information security policies, coupled with non-security conscious users who make errors," are the main reasons for cybersecurity breaches. He says businesses are seeing wide-ranging threats including data theft, financial loss after ransomware attacks, system disruptions that cripple businesses, and reputational risk after news of an attack spreads to the public.

In Italy, UHY Audinet Srl partner, Andrea d'Amico, is establishing a wider IT auditing service alongside developing the firm's own cybersecurity safeguards. "We know that IT security, cybersecurity, IT governance and IT auditing are becoming critical lines of service for our clients," says Andrea, citing fast-growing technological developments and increasing operational dependency on technology.

CYBER SERVICES

UHY member firms can draw on a number of proactive and reactive services to help clients address their security, including:

- Security risk assessment
- Vulnerability assessment and penetration testing
- User awareness education and ongoing phishing campaigns
- Cloud security assessment to review configurations
- Incident response planning
- Rapid response incident handling
- Managed detection and response
- Digital forensics

"We already perform IT audits supporting the internal audit, and offer compliance and risk management, as well as supporting financial statement audits."

Cybersecurity expertise is increasingly available to UHY clients thanks to centres of excellence such as these in the US, UAE and Italy, as well as UHY's global proactive knowledge sharing infrastructure. This means clients anywhere in the world can benefit from the latest advice, tools and implementations, including the US National Institute of Standards and Technology (NIST) Cybersecurity Framework, a voluntary framework of standards, guidelines and best practice in managing cybersecurity risk in five key stages – identify, protect, detect, respond and recover. ■

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OPPORTUNITY FROM ADVERSITY

COVID HAS HAD A DEVASTATING ECONOMIC EFFECT, BUT IN MANY REGIONS THE PANDEMIC'S DISRUPTIVE FORCE IS CREATING NEW OPPORTUNITIES AND FOSTERING ENTREPRENEURSHIP

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> Evidence is mounting that the world will not remain in a Covid-related recession for long.

As vaccine rollouts progress, economies are opening up again and businesses are gearing up to retake ground lost to the pandemic. Or at least, those that survived are. In the UK, a survey in January found that nearly 5% of small businesses expected to close in 2021. As shoppers and diners return, city centres around the world bear the scars of Covid in the form of shuttered shops and deserted malls.

Some economies fared worse than others, being in the centre of the pandemic's firing line. Helena Budiša, managing partner of UHY's Croatian member firm UHY HB EKONOM, says that economies that rely on tourism have been particularly badly affected by a pandemic that closed borders and grounded planes. "Covid has caused a deep crisis in Croatia, as in the rest of the world," she says. "But it is also a wake-up call for Croatia and other tourism dependent countries."

ANOTHER ECONOMIC STORY

However, calamity is not the only story of Covid. Some sectors – IT, supermarkets, takeaway food – have thrived. Deprived of holidays, consumers turned to Netflix and home improvements. Sales of health and wellbeing products soared. Agile businesses that quickly implemented online ordering and delivery services found opportunity in adversity. As Helena says, "in every crisis there are winners as well as losers".

That much is clear from the figures. Operational small businesses in the US declined by a quarter between January and December 2020, and yet the third quarter of 2020 saw more than 1.5 million new-business applications – almost double the figure for the same period in 2019.

Meanwhile, France saw 84,000 new business formations in October 2020, a fifth more than in the same month a year earlier. More new businesses were registered in the UK in the third quarter of 2020 than at any time since 2012. Entrepreneurs saw opportunities even in the midst of the crisis.

And as the health emergency gradually fades, this entrepreneurial activity is likely to accelerate. Evidence is mounting that the world will not remain in a Covid-related recession for long. In the US, for example, a combination of a large fiscal stimulus, lockdown easing and vaccinations fuelled a surge in consumer spending in the first quarter of 2021, with annualised growth hitting 6.4%.

And while China was first into lockdown, it was also first out. China's industrial output grew by 35% in January and February, compared to the same months last year. Analysts are now predicting Chinese growth in 2021 of around 8%. Meanwhile, the EU is only now emerging from its most recent wave of lockdowns, but even here growth forecasts have recently been revised upwards to more than 4%.

A NEW KIND OF RECESSION

Economists base their confidence on the belief that, while the global economy was plunged into recession in 2020, in many countries it was a recession like no other. Sadly, businesses went bust and many people lost their jobs. But on the flipside of the coin, many of those lucky enough to keep a stable job and income during the pandemic never felt so comfortably off. They never felt so bored, either. Savings grew because many consumers had nothing to spend their money on after covering the basic necessities of life.

Now those consumers are looking to make up for lost time, with results that will ripple through wider economies, from retail, leisure and hospitality to manufacturing, IT and professional services. At the same time, the pandemic has fundamentally changed the way many people shop, work and relax.

Businesses that positioned themselves for success during Covid are likely to thrive in its aftermath.

"A number of businesses were positively impacted by Covid-19, in particular those operating in the technology and mobility sectors," says Roberto Macho, managing partner at UHY Macho & Asociados, UHY's member firm in Argentina. "They did well because trends that had started a few years ago by changing work and lifestyle habits were accelerated by the eruption of the pandemic. Those trends will continue."

CREATIVE THINKING IS KEY

Nobody is underestimating the negative effects of Covid, or the challenges that companies face in its aftermath. In the post-pandemic world, real business acumen will be required to identify new opportunities. But those who do will be well placed to take advantage of improving economies and growing economic optimism.

Roberto adds that he is seeing many entrepreneurs looking to take advantage of the new environment, by thinking creatively and turning away from pre-pandemic certainties. "Even in the real estate business, for example, where people may feel there is very little manoeuvrability, I have witnessed a number of cases where entrepreneurs have converted the use of buildings for purposes more aligned with the new economy."

Opportunities come in all shapes and sizes. Companies and consumers around the world upgraded their IT in response to the pandemic, and many will continue to invest in new technology over the coming months and years, as new ways of working and living evolve. A new enthusiasm for remote work, online retail and cashless payment is likely to survive the return to normality and drive a new wave of entrepreneurial activity.

For that reason, Helena and Roberto both pinpoint technology as a sector brimming with post-pandemic promise, at least in the short term. "In Croatia we saw an enormous growth in the entire IT industry during the pandemic, to the extent that it is, more and more becoming a dominant industry in the country," says Helena. She mentions two technology companies that have both achieved unicorn status (startups with a value of over USD 1 billion) in the last year, "which says a lot, given that we are a small country of just four million people".

> A number of businesses were positively impacted by Covid-19.

It also says a lot that these businesses operate in entirely different sectors, though both are ostensibly technology companies. Infobip is an omnichannel cloud communications provider, while Rimac produces electric sports cars, drivetrains and battery systems. Both are positioned for further growth in a world changed by Covid, in which technology plays an ever greater role.

Helena adds that a number of clients in the hardware and software sectors have experienced significant growth. In Argentina, UHY Macho & Asociados has also seen the rapid expansion of fledgling technology businesses: "We represent a number of startup companies and have been witnesses to their exponential growth, operating in areas like online sales, e-learning and telemedicine," says Roberto.

BEYOND TECHNOLOGY

But technology is not the only game in town, especially as economies open up. After the experience of the pandemic, many companies are intent on implementing shorter, simpler supply chains, which will create opportunities in manufacturing and logistics.

Hospitality will benefit from consumer spending sprees. The pharmaceutical and chemical sectors did well during the pandemic and may be set for further gains on the back of a renewed focus on health at both individual and state level. And as Covid fades, the green economy will again become the centre of considerable attention.

In fact, as Roberto says, success is often less about the sector than the entrepreneurs themselves. To grasp new opportunities, businesses need foresight and agility. "Taking advantage of opportunities always involves a smart entrepreneur who can lead a business in times of huge change."

BARRIERS TO GROWTH

However, the picture is not consistent, either globally or regionally, and there are questions about how long any post-Covid bounce will last. "We will have to wait and see whether these trends will last, or if we will go back to the way things used to be, as vaccines bring the pandemic under control," says Helena.

Other regions have their own barriers to entrepreneurship at this time. "Almost all of my clients are just 'battening down the hatches', and very few are taking entrepreneurial risk by expanding or looking for other opportunities," says Selwyn Cohen, partner at Cohen Fasciani, UHY's member firm in Melbourne, Australia.

"At present the constraint to growth is people rather than funding. Unemployment is at an all-time low. It is impossible to hire fruit pickers, cleaners, waiting staff, IT people, construction staff and so on. The labour market is a barrier to growth."

There are other potential brakes on an entrepreneur-led recovery, from protectionist economic policies to the potential for new Covid variants to send nations back into lockdown. But evidence suggests that the Covid-related recession, while highly destructive, is fundamentally different to downturns associated with previous global shocks. Businesses found new opportunities during the pandemic and will continue to do so as the pandemic fades. Covid's disruptive power has breached the walls of traditional commerce, and entrepreneurs are rushing through the gaps. ■

COUNTING ON THE EXPERTS

A major awarding body in Nigeria celebrating the achievements of inspirational young people has invited member firm UHY Maaji to manage the voting process for the second year running.

The 2021 Ten Outstanding Young Persons (TOYP) Award of the Junior Chamber International (JCI) Nigeria, part of a global movement, recognises young people in categories such as cultural achievement, business or environmental leadership.

Lawrence Etuk, business development manager at UHY Maaji, says his firm was chosen because of its industry credentials and audit experience. "It is a great responsibility and honour," he says.

The appointment adds to UHY Maaji's list of clients in good works – it is auditor to Bread for the World (BFtW), a development agency supporting projects in more than 90 countries. UHY Maaji was also selected by the US Agency for International Development (USAID) to provide audit for funds to various agencies, and the World Bank chose the firm to audit projects in Nigeria.

"We love our diverse range of clients and are thrilled to play a key role in this important award," says Lawrence. "To see these young, energetic individuals being recognised as they strive for a better world, is a privilege."

RECOVERY AND RESILIENCE

Helping clients navigate post-pandemic uncertainty is a priority for UHY's member firm in the United Arab Emirates, UHY James Chartered Accountants, which has been running workshops to devise tools and strategies for helping small to medium enterprises (SMEs) gain greater resilience.

The team is led by Dr Anuraag Guglaani, partner for strategy, transformation, technology and cybersecurity. "As business advisors we want to stay committed to our clients' growth. Family businesses do not have the scaling down options adopted by large firms. A strategic advisor and industry expert can walk the extra mile to help clients progress with confidence," says Anuraag.

As well as helping clients this is an opportunity for the firm to supercharge its team spirit. "In our first workshop partners, managers, consultants and executives shared ideas to ensure client needs are at the heart of everything we do. So as well as helping our clients, we also develop ourselves as advisors," says Anuraag.

James Mathew, managing partner, agrees. "Even our largest competitors do not always address SMEs as we do, and we not only create the strategy but implement it. Our first workshop was a day of coffee, camaraderie, and conversation all adding up to better service delivery and fantastic bonding for our team!"

GIFTS FOR LIFE

When the team at UHY Ross Brooke in Newbury, UK wanted to thank a local vaccination centre for its care, it turned into a truly community experience.

Rather than just donating gifts to the centre at Newbury Racecourse on the occasion of its 10,000th vaccination, the team mobilised local clients to help, as Jenny Bowden, client manager, explains: "We gifted refreshments to the centre when it launched, so when the 10,000th jab milestone came along we wanted to do something bigger. So we asked local clients known for giving to their community, and got a fantastic response."

Chocolates, wine, fizz and balloons poured in, enabling the centre to give staff a goodie bag to thank them for their service. "We were delighted to support this and proud of our community who ensured thousands of vulnerable people received their vaccinations," says Jenny.

Lead volunteer at Newbury Vaccination Centre, Beverley Sunderland said, "Thanks to these generous donors we were also able to obtain a grant for a final thank you party for our volunteers."


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35 YEARS OF TRUSTED ADVICE

Our regular Cogs and Wheels page looks at what drives a successful international network. In this issue, we consider what the development of UHY's network means for clients today and tomorrow

In 2021 the UHY International network of independent member firms celebrates its 35th birthday. The global accounting profession has seen much change in that time, and the next 35 years will provide different challenges. But beyond crystal ball gazing, it is hard to predict with any certainty how things will shape up for assurance, accounting, tax and business consultancy services, and those networks, like UHY, whose member firms deliver them. But if the past is any indication of the future, then it is in the foundations that have been built that onward success lies.

UNITY AND COOPERATION

For UHY, from the start, the word was collaboration. When the US firm Urbach, Kahn & Werlin formally joined forces with UK firm Hacker Young in 1986, the international association Urbach Hacker Young (UHY) International was born. The two firms had already been working together under a reciprocal agreement but this formal union sent a strong and enticing message to potential international clients – 'we are a team, and we mean business'.

Thirty five years on that marriage has become a global family, and a growing one – UHY's independent member firms now form a network of over 8,500 professionals operating in nearly 330 business centres, supporting national and international clients across more than 100 countries. The team that meant business in 1986 is now The Network for Doing Business, a promise being delivered to clients and colleagues alike.

DELIVERING FOR CLIENTS

In those formative years, from 1986, chairmen Steve Fischer and Frank Stansil, his successor, established the core values that still define the network today - professionalism, quality, integrity, diversity, innovation, international outlook and ambition. It is a set of beliefs that provides a blueprint of UHY's culture as a global organisation. In a few carefully chosen words they express the kind of experience that our clients can expect in dealing with UHY or a UHY member firm, and set clients' expectations of our behaviour and attitude.

The culture that has set UHY member firms apart from the competition for 35 years, will be the driving force for continued success in the future.

THE NEXT 35 YEARS

UHY's vision is to be clients' trusted advisors of choice. While we would like to believe this is true already in many of our client relationships, it is always for the client to decide, and our member firms will never be complacent. By living the values and engaging with the network's client-centric cornerstones of working together, growth, brand and quality, UHY member firms will continue to provide world-class client service.

Services will evolve to meet changing regulatory standards, and changing client needs. By listening to clients, by adopting new technologies and innovative practice management, and by continuing to invest in the right people, UHY member firms will remain as flexible, resilient and adaptable as they have proved to be through the whole coronavirus pandemic, to support clients. This means that despite the pace of change in all these areas, and whatever new disruption may come along, a nimble network built on strong cultural foundations will continue to solve client problems and add value through longstanding and trusted relationships. And the network will continue to expand geographically to enable the right client support in the right places.

In 2056, who knows where artificial intelligence and big data will have taken us? Who knows if the world will have achieved a net zero carbon footprint or eradicated global risks? But however the next 35 years pan out, and whatever the challenges, there is every reason to suppose that for UHY, its member firms and most importantly their clients, an exciting future awaits. ■

GLOBAL MEMBERS DIRECTORY

We are a Top 20 global accountancy network* and our success is built on attentive, personal service. You will find UHY member firms ready to advise you in more than 100 countries, covering nearly 330 major business centres. We have over 8,500 professionals delivering world class solutions across all types of industry. And our connectedness means we can find solutions for you and your business, by calling on the vast experience of UHY colleagues worldwide. Our UHY Global member firm directory pages will show you where we are.

*International Accounting Bulletin World Survey 2021. UHY International ranks 18th largest accountancy network by fee income.

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